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REIMAGINING THE “TEAM FOUR PLAN” WITH AN EYE TOWARD COMMUNITY COLLABORATION AND PRIVATE CAPITAL

INTRODUCTION

On March 8, 2008, the U.S. House of Representatives’ Subcommittee on Housing and Community Opportunity came together in the city of St. Louis to tour North St. Louis.¹ Recognized by many as an “historic occasion,”² members of Congress met to discuss what is now known as the Team Four Plan, the “City Wide Implementation Strategies for the Draft Comprehensive Plan” of 1975.³ The notorious city plan had set out to divide St. Louis into three parts, urging city officials to abandon and effectively extinguish, by way of zoning, code enforcement, and tax policies, areas of the City marked “deplet[ed]”⁴ and predominantly African American.⁵ Crafted in 1974, the comprehensive report has long been regarded as a citywide phantom, frequently discussed as the “secret plan” that continues to plague St. Louis politics and local construction.⁶ This Note seeks to explore the historical underpinnings of the Team Four Plan by considering St. Louis’s dramatic economic decline alongside a citywide panic regarding the fate of the Midwest city. Though it acknowledges Congressional efforts to stop the urban plan in its tracks, this Note suggests that the strategy of “urban triage”⁷ presented by Team Four has been largely effectuated in the form of Missouri’s Real Property Tax Increment Allocation Redevelopment Act, a piece of legislation initially intended to eradicate “blight” throughout

1. *The Use of Federal Housing and Economic Development Funds in St. Louis: From “Team 4” Into the Future: Field Hearing Before the Subcomm. on Hous. & Cmty. Opportunity of the H. Comm. on Fin. Servs.*, 110th Cong. 1, 3 (2008).

2. *Id.* at 10 (statement of Terry Kennedy, Alderman, 18th Ward, St. Louis Board of Alderman).

3. *See id.* at 3.

4. *See id.* at 37; *see also* TEAM FOUR, INC., CITYWIDE IMPLEMENTATION STRATEGIES: THE DRAFT COMPREHENSIVE PLAN 16 (1975), <https://metrosl.com/wp-content/uploads/2019/08/The-Team-Four-Plan-1975.pdf> [<https://perma.cc/9YD4-9RXT>]. Today, the areas identified throughout the Plan as depleted are those that may be identified as “blighted” areas within the St. Louis region.

5. *See infra* Section II.A.

6. *See, e.g.*, Patrick Cooper-McCann, *The Trap of Triage: Lessons from the “Team Four Plan”*, 15 J. PLAN. HIST. 149, 156, 161 (2015).

7. “To implement urban triage, cities sort neighbourhoods into three policy categories, similar to war-time triage: healthy, in-between, and significantly deteriorated.” Deanna H. Schmidt, *Urban Triage: Saving the Savable Neighbourhoods in Milwaukee*, 26 PLAN. PERSPS. 569, 572 (2011).

the state.⁸ Mimicking the effects of antiquated, race-blind policies that once functioned as a means of maintaining the notorious white “sanctuary” while exacerbating the “black urban ghetto,”⁹ St. Louis’s transparent yet purposeful misapplication of Tax Increment Financing (TIF), typically a result of inter-municipal competition for increased tax revenue, perpetuates the city’s notorious racial divide.¹⁰ Such a strategy, this Note reveals, follows the very intentions of Team Four, advancing affluent neighborhoods while neglecting, and thereby sabotaging, low-income communities.¹¹ Finally, this Note recognizes the realities of a financially strapped local government; a policy of urban triage, despite its inequitable effect, proves the most rational of public tactics in light of finite public funds. Acknowledging the limited freedom of a fiscally responsible, voter-conscious municipality, this Note sets forth an alternative means of stemming “blight” throughout the St. Louis region: Social Impact Bonds. Rejecting TIF funding for its loose “blight” and “but-for” requirements, this Note emphasizes the need for public-private collaboration in furtherance of social equality and the eradication of St. Louis “blight.” In so doing, this Note presents Social Impact Bonds dedicated to the redevelopment of historically neglected neighborhoods as a possible alternative to St. Louis’s current strategy of urban triage.

I. THE TEAM FOUR PLAN

A. *Setting the Stage for the Team Four Plan*

In 1870, St. Louis City was booming; functioning as the St. Louis region’s “locus of power and civic energy,” the city held approximately \$148 million in wealth tax whereas St. Louis County held a mere \$14 million.¹² On August 22, 1876, in response to city voters’ growing

8. Real Property Tax Increment Allocation Redevelopment Act, MO. REV. STAT. §§ 99.800–865 (2016). See Julie A. Goshorn, *In a TIF: Why Missouri Needs Tax Increment Financing Reform*, 77 WASH. U. L.Q. 919, 919 (1999) (recognizing the initial purposes of tax increment financing as deployed within Missouri).

9. See Ernest Calloway, *Stratagem for Containment: ‘Depletion’ Designation Would Perpetuate City’s Racial Segregation*, ST. LOUIS POST-DISPATCH, Sept. 21, 1975, at 2D.

10. For more information regarding the city’s historic and ongoing racial divide, see Chico Harlan, *In St. Louis, Delmar Boulevard Is the Line That Divides a City by Race and Perspective*, WASH. POST. (Aug. 22, 2014), https://www.washingtonpost.com/national/in-st-louis-delmar-boulevard-is-the-line-that-divides-a-city-by-race-and-perspective/2014/08/22/de692962-a2ba-4f53-8bc3-54f88f848fdb_story.html [https://perma.cc/ZBX7-EUAF?type=image].

11. See *infra* Part II.

12. Jeanette Cooperman, *St. Louis’ Great Divorce: A Complete History of the City and County Separation and Attempts to Get Back Together*, ST. LOUIS (Mar. 8, 2019, 1:05 PM), <https://www.stlmag.com/news/politics/st-louis-great-divorce-history-city-county-split-attempt-to-get-back-together/> [https://perma.cc/64JA-6MRK].

frustration with county residents’ influence over urban affairs, St. Louis City opted to sever from the county in what is now known as the Great Divorce.¹³ While initially understood as a triumph for urban residents, the Great Divorce proved devastating for the City of St. Louis. Squeezed between the Mississippi River to the east and the city-county divide to the west, the city overcrowded with no room to expand.¹⁴ Meanwhile, the county was primed for success; the rail line between the city and the surrounding St. Louis towns enabled commuter development, allowing city residents to escape from the “gritty and unhealthy” nature of the city to the “new and exclusive suburbs in the county.”¹⁵ Eventually, this trend resulted in a draining cityscape. By 1936, true desolation began to emerge; city-dwellers relocated from the city into the surrounding suburbs, abandoning the “historic core” which thereafter consisted of the “black ghetto.”¹⁶

Alarm regarding the neglect and imminent demise of St. Louis City, however, did not set in until 1973, when the Rand Corporation published a year-long study of St. Louis.¹⁷ The report “read like an obituary for the city,” sending city officials into a “panic.”¹⁸ Though the trends that initiated the dramatic decline within St. Louis could be seen throughout the United States, the report suggested that St. Louis differed from other cities in its “rapid and absolute declines in central City population and business

13. See Andrew Wanko, *The Great Divorce*, MO HIST. SOC’Y (Aug. 22, 2017), <https://mohistory.org/blog/the-great-divorce/> [https://perma.cc/E8ZS-7NKZ]. The city-dwellers’ concerns came down to issues of taxation; though the city paid approximately half of Missouri’s total taxes, city residents were subjected to the will of St. Louis’s sprawling county, made up of small towns and farmers totaling almost 31,000 residents. See *id.* Members of the city were weary of allocating money to the county; they simply “didn’t want to pay for roads and other amenities for their country cousins.” Maria Altman, *St. Louis City and St. Louis County: Navigating “The Great Divorce”*, ST. LOUIS PUB. RADIO (April 22, 2011, 6:35 AM), <https://news.stlpublicradio.org/post/st-louis-city-and-st-louis-county-navigating-great-divorce#stream/0> [https://perma.cc/92TT-5UQP].

14. Wanko, *supra* note 13. In the decade following 1950, the county’s population grew by 73%. Meanwhile, the City shrunk by 12.5%. *Id.*

15. Jodi Rios, *Racial States of Municipal Governance: Policing Bodies and Space for Revenue in North St. Louis County, MO*, 37 LAW & INEQ. 235, 239 (2019).

16. Cooper-McCann, *supra* note 6, at 150.

17. See *Rand Report Calls Future of St. Louis Economically Bleak*, N.Y. TIMES (Nov. 4, 1973), <https://www.nytimes.com/1973/11/04/archives/rand-report-calls-future-of-st-louis-economically-bleak.html> [https://perma.cc/3TLU-FCSX]; Cooper-McCann, *supra* note 6, at 153.

18. George Sells, *Benign Neglect: The Team Four Plan’s Legacy in North St. Louis*, METROSTL (Aug. 9, 2019, 9:30 AM), <https://www.metrostl.com/2019/08/09/benign-neglect/> [https://perma.cc/DE55-CC8G]. Following the Rand Report’s release, city leaders Richard Gephardt and John Roach submitted Board Bills 19 and 20 to the Board of Alderman in a misguided effort to save the city from further blight. See *id.* These bills were later seen as fuel for the Team Four Report. See *id.* The bills recommended that 74,000 buildings in the white, south side of St. Louis be preserved while 70,000 buildings in north St. Louis, home to a large subset of the St. Louis African American community, be demolished. *Id.*; see also *The Use of Federal Housing and Economic Development Funds in St. Louis: From “Team 4” Into the Future*, *supra* note 1, at 24 (statement of Jamala Rogers, Chairperson, Org. for Black Struggle).

activity.”¹⁹ While suburbs were sprouting up around most urban areas, St. Louis proved unique in its simultaneous rate of city center abandonment.²⁰ According to the Rand report, this dramatic desertion resulted from several factors typical of city decline compounding in “unusual strength.”²¹ Like other midwestern and east coast cities, St. Louis contained a large inventory of old “housing and industrial capital” expensive to maintain and restore.²² Further, the exorbitant amount of flat farmland outside the city, amenable to future development, made it particularly conducive to suburban flight.²³ Even more problematic, though individuals were fleeing from the city into the suburbs, the price of urban property remained consistently high.²⁴ With exorbitant urban property prices, hope of future reinvestment became futile. Similarly, a reduction in urban residents failed to render public goods and services more accessible: the city’s wealthier families fled into the county, bringing capital and leaving an increased share of public costs with those least equipped to handle the economic burden.²⁵

B. Introducing the Team Four Plan

Likely in an effort to revitalize the city, as well as the neighborhoods most threatened by impending “blight,” including those identified throughout the Rand report, the City Plan Commission hired Team Four, Inc. as consultants in the drafting of the urban-scape’s new master plan.²⁶ In its first set of submissions, the planning firm presented a memo entitled “City Wide Implementation Strategies for the Draft Comprehensive Plan,”

19. BARBARA R. WILLIAMS, *ST. LOUIS: A CITY AND ITS SUBURBS* V (1973), <https://www.metrostl.com/wp-content/uploads/2019/08/The-Rand-Report.pdf> [<https://perma.cc/AQC3-7VSJ>].

20. *Id.*

21. *Id.* at vi.

22. *Id.*

23. *See id.*; *see also id.* at 27 (“More land is available in the suburbs than in the city. At present, about 1300 acres (not all zoned industrial) are available for development in St. Louis, whereas 4200 acres already *zoned* for industrial use are available for development in St. Louis County.”).

24. *Id.* at vii. The report stressed that the stagnating price of urban property was, in large part, attributable to the “negative effects of surrounding, deteriorating neighborhoods” that made developers unwilling to invest in City property. *Id.* at 27 n.20.

25. *Id.* at vii. In the ten years following 1960, the city’s African American population increased from 29%–41%, while only rising from 6%–7% in the remaining metro area. *Id.* at 23. Further, the ratio of high-income families decreased dramatically—“[i]n 1959, 11 percent of families in the city had incomes at least double the city’s median family income; by 1969 only 4 percent had such incomes.” *Id.* Meanwhile, the share of low-income families rose—“[i]n 1959, 16 percent of families in the city had incomes below half the city’s median family income; by 1969, 21 percent had such incomes.” *Id.*

26. Cooper-McCann, *supra* note 6, at 156. Working independently from the city’s planners, the planning firm was tasked with composing twelve technical memos initially intended to function as guidelines in the city’s planning process. *Id.* The team consisted of Washington University in St. Louis graduates, a group of individuals drawn to the school’s faculty and fueled by an interest in urban law and design. *Id.*

later recognized as the “Team Four Plan.”²⁷ Formally submitted on March 31, 1975, the memorandum advised the city to apply three drastically different treatments to three corresponding regions.²⁸ In explaining the need for a dissected and thus targeted urban plan, the report highlighted the severely limited financial resources of St. Louis, emphasizing that “Federal and State Aid cannot be wasted.”²⁹ As a solution, the Team Four Plan recommended that the City “carefully husband its resources and reap the greatest impact from its services and capital improvements.”³⁰

Identified as “Conservation Areas,” the first category presented by the team included St. Louis areas marked by their “ability to attract continued private reinvestment,” all of which could be improved through “simple home repairs to more massive expenditures associated with the renovation of industrial properties or new commercial investments.”³¹ Team Four’s strategy posited these areas as the foundation of the city’s rejuvenation such that “the City’s primary public responsibility for the future of the entire community [was] to buttress and then build upon these critical areas.”³² While the report failed to explicitly identify the geographic locations of these areas, St. Louis community members recognized “Conservation Areas” as being “concentrated in South St. Louis which had, in 1974, a majority white population.”³³

Stressing the need for continued public investment throughout the City, the report emphasized the role “high level” public services might play in inducing local investment.³⁴ As such, the report highlighted the need for proper public schools, trash collection, and code enforcement, identifying zoning as a pillar of the plan’s overall execution.³⁵ Specifically, the team advocated for these areas’ continued residential and commercial land use trends, noting that the “varied neighborhood housing districts, interspersed with service commercial uses, bind the areas together.”³⁶ Recognizing the necessity of an aesthetically pleasing environment, the Team Four Plan implored the city to implement and “enforce stricter ordinances to control

27. *Id.*

28. *Id.*

29. TEAM FOUR, INC., *supra* note 4, at 3.

30. *Id.*

31. *Id.*

32. *Id.*

33. *The Use of Federal Housing and Economic Development Funds in St. Louis: From “Team 4” Into the Future*, *supra* note 1, at 71 (comment of Terry Kennedy, Alderman, 18th Ward, City of St. Louis).

34. TEAM FOUR, INC., *supra* note 4, at 3.

35. *Id.* at 3–4.

36. *Id.* at 4.

the quality of the existing environment,” finding enforcement to be the means by which the city might stem blight.³⁷

The second zone identified by the city planners encompassed regions within the city marked as “redevelopment areas,” wherein the key objective would be to “induce on a phased basis concentrated and coordinated private investment.”³⁸ Best characterized by their tenuous relationship to blight, these areas were identified as “those places that are at a critical point between progress and decay; [where] the future holds either the promise of reinvestment or the spectre of continued waivering [sic] and inevitable deterioration.”³⁹ Like Conservation Areas, these areas were located in South St. Louis and included “large tracts of land in the Central Corridor of the city which was also majority white.”⁴⁰ Devoid of the economic strength and community-based initiatives that typically guarantee a city’s success, the target parcels required the help of government programs committed to community rejuvenation.⁴¹ The report praised the city’s use of the 353 Program as a means of supporting urban renewal areas identified as “blighted”⁴² and recommended continued implementation throughout the Redevelopment Areas.⁴³

Pursuant to Chapter 353 Property Tax Abatement, real property tax abatement serves as an incentive for the city to encourage revitalization within blighted areas.⁴⁴ In endorsing the city’s implementation of Chapter 353, the Team Four Plan identified Redevelopment Areas as those most in need of greater investment.⁴⁵ Further, the team stressed the necessity of utilizing both public and private resources, recognizing city financial

37. *Id.* at 5.

38. *Id.* at 7.

39. *Id.*

40. *The Use of Federal Housing and Economic Development Funds in St. Louis: From “Team 4” Into the Future*, *supra* note 1, at 71 (comment of Terry Kennedy, Alderman, 18th Ward, City of St. Louis).

41. TEAM FOUR, INC., *supra* note 4, at 7.

42. The 353 program defines a “blighted area” as “that portion of the city within which the legislative authority of such city determines that by reason of age, obsolescence, inadequate or outmoded design or physical deterioration have become economic and social liabilities, and that such conditions are conducive to ill health, transmission of disease, crime or inability to pay reasonable taxes.” MO. REV. STAT. § 353.020(1) (1993).

43. TEAM FOUR, INC., *supra* note 4, at 8.

44. § 353.110; *see* MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT, CHAPTER 353 TAX ABATEMENT (2007), https://ded.mo.gov/sites/default/files/programs/flyers/Chapter353_ProgSummary_2016_0.pdf [<https://perma.cc/A6TQ-YTJY>]. The legislation offers up to twenty-five years of tax abatement for urban redevelopment corporations that have taken the title of properties belonging to “blighted areas.” § 353.110.2. For the first ten years of ownership, the property is exclusively subject to the taxes assessed in the year prior to the corporation’s acquisition. *Id.* § 353.110.1. In the following 15 years, the real property acquired by Urban Redevelopment Corporations may be assessed up to “fifty percent of the true value of such real property, including any improvements made thereon” *Id.* § 353.110.2.

45. TEAM FOUR, INC., *supra* note 4, at 8.

contributions and developmental oversight to be crucial elements of the Redevelopment Areas’ future success.⁴⁶ In explaining the city’s new role within the redevelopment process, the report charged local officials with (1) determining which areas have the greatest possibility for future improvement, (2) publicizing these areas, (3) outlining potential goals for these locales, (4) finding tools to increase the areas’ potential, (5) allocating public resources to the outlined initiatives, (6) sketching out the necessary allotment of private investment, and (7) enforcing the programs necessary for area success.⁴⁷

Finally, the report demarcated a zone destined for decimation: “Depletion Areas,” defined as “areas of spotty City services and red lining – where large numbers of the unemployed, the elderly and the recipients of welfare are left to wait for assistance which does not seem to be forthcoming.”⁴⁸ These areas were identified by a surplus of “abandoned buildings, vacant lots[,] and economic collapse.”⁴⁹ According to Alderman Terry Kennedy’s comments regarding the Team Four Plan, these “transition areas” were “those areas in North St. Louis which, in 1974, were predominantly African-American.”⁵⁰ In addressing these areas, the report recognized an unavoidable catch-22. On the one hand, demolishing the deteriorating buildings and thereby creating a series of vacant parcels would ensure that the neighborhoods devolved into masses of “rubble-filled lots and boarded up buildings,” which would discourage future investment.⁵¹ Yet, “to expend public funds on new streets, libraries, schools or code enforcement in an area designated for total renewal d[idn’t] make sense either.”⁵² The city should not, the report advised, attempt to serve these areas while simultaneously attempting to undergo redevelopment.⁵³ Instead, the report suggested that the city implement patience, warning that “[a]llowing or encouraging scattered, uncoordinated investments within Depletion Areas will only sap the City’s too limited fiscal resources.”⁵⁴ The firm went on to advocate for residential growth control by way of zoning as

46. *Id.*

47. *Id.* at 7–8.

48. *Id.* at 15.

49. *Id.*

50. *The Use of Federal Housing and Economic Development Funds in St. Louis: From “Team 4” Into the Future*, *supra* note 1, at 71 (comment of Terry Kennedy, Alderman, 18th Ward, City of St. Louis). African American community leaders, upon the report’s release, identified that the threatened areas were “generally bounded by Twentieth Street, Delmar Boulevard, Natural Bridge Avenue and the western city limits.” Philip Sutin, *Plan Said to Hurt Black Area in City*, ST. LOUIS POST-DISPATCH, May 19, 1975 (§ 1-10B), at 19. Pursuant to Nesby Moore Jr., approximately 166,000 people lived in the areas marked “depleted” by the Team Four Report. *Id.*

51. TEAM FOUR, INC., *supra* note 4, at 15.

52. *Id.*

53. *Id.*

54. *Id.*

presented within *Golden v. Township of Ramapo*.⁵⁵ Citing the town of Ramapo as a case study, the report emphasized the need to “chart a capital improvement program” to ensure that Depletion Areas may eventually become ready for redevelopment.⁵⁶

Moving on to the issue of taxation within Depletion Areas, the planning firm recognized that taxes were largely left unpaid throughout these neighborhoods, finding this especially true for properties packed with vacant and deteriorating buildings.⁵⁷ While the report appreciated St. Louis’s Land Reutilization Law⁵⁸ as a tool for refurbishing previously undesirable property and recognized that land confiscation upon a failure to pay taxes motivates property owners to cooperate with the collector of revenue, it also acknowledged that the program’s success relied upon the acquired land’s ability to sell.⁵⁹ Given that much of the land coming from Depletion Areas proved to be economically undesirable, rendering investment implausible as a result of the areas’ dependency upon federal assistance, future sales of individual parcels of property seemed unlikely.⁶⁰ The report consequently promoted a “wait and see” approach and implored the city to utilize a long-term strategy in its invocation of land reutilization authority (LRA).⁶¹ Under this approach, the city might “assemble a large inventory of property available for future significant development,” classify them as unsuitable for sale and keep them as public reserves until public support for further mass development was made available.⁶²

Most telling, however, was the report’s campaign against strict code enforcement throughout these “abandoned” neighborhoods. The team claimed that, as Depletion Areas already suffered from “severe difficulties,” to strictly enforce housing codes would only add “further impetus to the deterioration and abandonment cycle.”⁶³ For this recommendation, the report found support in *City of St. Louis v. Brune*,⁶⁴ wherein a Missouri court

55. *Id.* at 16; *see also* *Golden v. Plan. Bd. of Ramapo*, 30 N.Y.2d 359, 383 (1972) (finding that “where it is clear that the existing physical and financial resources of the community are inadequate to furnish the essential services and facilities which a substantial increase in population requires, there is a rational basis for ‘phased growth’”).

56. TEAM FOUR, INC., *supra* note 4, at 16–17.

57. *See id.* at 17. In 1971, four years before the report’s submission, there were approximately 3200 abandoned buildings throughout the city and “virtually all of these were located in Depletion Areas.” *Id.*

58. MO. REV. STAT. § 92.875 (Supp. 1971). Under the statute, land reutilization authority is intended to “foster the public purpose of returning land which is in a nonrevenue generating nontax producing status, to effective utilization in order to provide housing, new industry, and jobs for the citizens.” § 92.875.2.

59. TEAM FOUR, INC., *supra* note 4, at 17–18.

60. *Id.*

61. *Id.* at 18.

62. *Id.*

63. *Id.* at 19.

64. *City of St. Louis v. Brune*, 466 S.W.2d 677 (Mo. 1971).

held that the requirement to meet city-wide code standards may be unreasonable in regard to certain properties.⁶⁵ Reading the *Brune* decision as judicial endorsement of greater flexibility in terms of code enforcement, the report contended that strict code enforcement should only be embraced when reinvestment is simultaneous.⁶⁶

C. Community Reactions

Prior to its dissemination, a reporter for the *St. Louis Post-Dispatch*, Philip Sutin, obtained a copy of the Team Four Plan.⁶⁷ Upon reading the urban planning report, Sutin placed pen to paper, eager to reveal the report for what it was: a cast of “doom” for the St. Louis African American community.⁶⁸ In retrospect, Sutin’s exposé emphasized the plan’s most alarming recommendation, that of depriving deteriorating regions from proper service and instead focusing on the most prosperous neighborhoods—a decision that would effectively undermine the city’s African American population.⁶⁹

For many, the report came as no surprise. Former Alderman C.B. Broussard reasoned that the policies suggested within the report were already being implemented throughout the city, claiming, “It’s happening without a doubt.”⁷⁰ Nesby Moore Jr., president of the Union-Sarah Economic Development Corporation, explained that lending institutions within the city consistently failed to invest in what the Team Four Report had identified as “depleted areas” due to the city’s failure to engage in code enforcement and endorse neighborhood development.⁷¹ Failing “financial and social commitment” to these areas, the region was susceptible to a major reduction in population and, thus, a reduced tax-base.⁷²

A second camp of residents, though, encouraged the Plan, noting in particular the financial realities of the city. While Deputy Director of the Community Development Agency David Hyrsko reasoned that the city did not want to ignore areas marked depleted, he understood that priorities,

65. *Id.* at 678–79; TEAM FOUR, INC., *supra* note 4, at 19.

66. *See* TEAM FOUR, INC., *supra* note 4, at 19–20.

67. Cooper-McCann, *supra* note 6, at 160. Mayor of St. Louis, John H. Poelker, opted to keep the initial study a secret from the city’s public. Eventually, however, the newspaper was able to receive a copy of the paper from the Department of Housing and Urban Development by way of the federal Freedom of Information Act. Philip Sutin, *supra* note 50, at 19.

68. Cooper-McCann, *supra* note 6, at 160. For many members of the African American community, the plan was viewed as a mechanism by which the city might “remove blacks, particularly poor blacks.” Philip Sutin, *Political Changes in Third City Planning Draft*, ST. LOUIS POST-DISPATCH, June 22, 1975, at 1.

69. Cooper-McCann, *supra* note 6, at 160.

70. *Id.*

71. Sutin, *supra* note 50, at 19.

72. *Id.*

upon financial infeasibility, were an irrefutable necessity.⁷³ Confirming Hyrsko's assumptions, Alderman Milton Svetanics, a Democratic representative of the 27th Ward, found that the city simply did not have money to spend on further development.⁷⁴ As such, the Alderman reasoned, the City needed to "make a choice about which areas [it] want[ed] to save," acknowledging that any remaining areas would have to suffer from "benign neglect."⁷⁵

Despite the fact that several political leaders agreed with the underlying objective and rationale behind the Team Four Plan, "public outcry, city politics, and administration policies" resulted in a revised draft of the city plan.⁷⁶ The revision responded to the public's outrage regarding the proposed city triage; in their new report, the drafters insisted that the plan was "not aimed at the removal" of the African American community.⁷⁷ Still, the newly revised draft maintained the initial report's assumptions regarding the state of St. Louis, merely changing aspects of the report to "blur its implications" and refrain from "commit[ing]" the city to following the "economics of the private enterprise."⁷⁸

Notwithstanding the consulting firm's attempt to abate the African American residents' growing anxieties regarding the north side of St. Louis and the City's new plan for future revitalization, an article published four months after the report's leak confirmed the community's concerns regarding the fate of their city.⁷⁹ Finding the report to be the "new chapter" of an "old strategy that had haunted the black community of St. Louis for the whole of the twentieth century — the age-old strategy of racial containment," Ernest Calloway, then assistant professor of urban affairs at

73. *Id.*

74. *Id.*

75. *Id.* Agreeing with an urban policy that prioritizes "the greatest good for the greatest number," Alderman Svetanics subscribed to a strategy first introduced by Anthony Downs, scholar of urban policy and public administration working in Chicago, namely a strategy of urban triage. Cooper-McCann, *supra* note 6, at 158–59. Pursuant to this tactic, a city may be categorized as "healthy, ill, or terminal" according to a "classification system" made up of five factors intended to monitor for neighborhood decay, including (1) declining "socioeconomic status," (2) a change in ethnic demographic, "from white to minority occupancy," (3) decay of housing and infrastructure, (4) community pessimism regarding the status of the surrounding area, and (5) "economic disinvestment" throughout the neighborhood. *Id.* at 158. Using these values, each neighborhood could be identified as being in one of five stages. In stage four and five, houses and neighborhoods were marked as being "deteriorated," meaning they contained "high rates of crime, high rates of poverty, and widespread vacancy and abandonment." *Id.* at 159. Pursuant to Downs' theory, once a neighborhood could be categorized within these stages, nothing could revive them save except for "total clearance and redevelopment." *Id.* Scholar Ernest Calloway was the first individual to recognize the Team Four Plan as being reflective of Anthony Downs' theory. See Calloway, *supra* note 9, at 2D.

76. Sutin, *supra* note 68, at 1.

77. *See id.*

78. *Id.* at 18.

79. Calloway, *supra* note 9, at 2D.

St. Louis University and member of the St. Louis Community Development Commission, drew attention to the historic division of St. Louis, one which, through mechanisms such as block-busting, redlining, and federal housing, effectively generated “two distinct cities within one single political entity.”⁸⁰ These policies, arguably preserved by the Team Four Plan, constructed the “black urban ghetto of St. Louis,” a city of “poverty,” while contributing to the creation of a “city of whites, . . . steeped in indifference, racial fear[,] and seeking security in all-white sanctuaries.”⁸¹

Analyzing the Team Four Plan, Calloway’s article recognized the no-growth policy as functioning similarly to President Nixon’s policy of benign neglect, reasoning that the policy was neither original nor surprising.⁸² In fact, the plan merely revealed the “urban strategy” that had been suggested throughout the country by political leaders and urban planners alike.⁸³ Similarly, the strategy could be seen as nothing more than a continuation of racially restrictive real estate practices embraced throughout St. Louis’s past.⁸⁴ Like the “zoning laws, the power of eminent domain, redlining, [and] benign neglect,” the planning firm’s no-growth policy in regard to “depleted” areas simply contributed to the “continuing drive to restrict the living space for blacks and to build safe sanctuaries for whites.”⁸⁵

Though the Team Four Plan was never officially adopted by St. Louis,⁸⁶ today’s residents maintain that the plan has been implemented nonetheless.⁸⁷ Alderman Brandon Bosley, working in the Third Ward of St. Louis, has identified the Team Four Plan as “the plan that caused all the detriment that St. Louis has right now,” reasoning that “[w]e talk about poverty. We talk about the state of where the city is, population loss, all

80. *Id.*

81. *Id.*

82. *Id.* “Benign neglect” was ultimately “based on the perception that black Americans had made such substantial educational gains that it was no longer necessary for the federal government politically to subsidize civil rights.” Charles Sumner Stone, Jr., *Thucydides’ Law of History, or From Kerner, 1968 to Hacker, 1992*, 71 N.C. L. REV. 1711, 1719 (1993).

83. Calloway, *supra* note 9, at 2D.

84. *Id.* “In this respect, the history of St. Louis is prototypical. Unfortunately, for the whole of the twentieth century, the city has been preoccupied with containment and benign neglect as they related to black living space. . . [thereby] building its black ghetto.” *Id.* For others, the plan was problematic not because it offered an explicit endorsement of a racial divide but, rather, because it failed to account for the “fact that African-Americans occupied the vast majority of the neighborhoods that would seemingly be allowed to fail.” Sells, *supra* note 18. For many, the plan appeared to be a mere reflection of the notion that “[r]acism has always been a business proposition.” *Id.*

85. Calloway, *supra* note 9, at 2D.

86. See Cooper-McCann, *supra* note 6, at 149.

87. See Jamala Rogers, *Team Four Sucka-Punch*, ST. LOUIS AM. (last updated Oct. 5, 2017), http://www.stlamerican.com/news/columnists/jamala_rogers/team-four-sucka-punch/article_4df19988-85de-533c-a9f1-1fe0496259bb.html [https://perma.cc/SQ6P-FZEF]. (“Groups like the Ad Hoc Committee and the Coalition Against Team Four were successfully [sic] in beating back the plan, but not the concept. The plan has been sanitized and continually updated, but the goals of Team Four prevail.”).

those things happened around the time the Team Four plan was being talked about and implemented to a degree.”⁸⁸ By the time the Subcommittee on Housing and Community Opportunity of the Committee on Financial Services came together on March 8, 2008, approximately thirty-five years after the Team Four Plan’s release, it was clear that though the report had not been formally implemented throughout the region, the city had undoubtedly implemented a strategy of triage: “[t]he central corridor down through the years has received significant amount of monies for development. The north side has not seen that.”⁸⁹

In its review of St. Louis development, the Committee focused on various projects throughout the north side of St. Louis that had been overtly disregarded by city officials. The committee addressed the Pruitt-Igoe site,⁹⁰ which had been standing “undeveloped and basically in the middle of the City in ruins and . . . [had] become a dumping site.”⁹¹ When asked why the site had been left undeveloped, and whether the City had a plan regarding the vacant land, Barbara Geisman, then executive director for community development of the City of St. Louis, eventually admitted that no “real concrete plans” had been created, confessing, upon Chairwoman Waters’ further inquiry, that there had been “[n]o identification of resources or

88. Sells, *supra* note 18.

89. *The Use of Federal Housing and Economic Development Funds in St. Louis: From “Team 4” Into the Future*, *supra* note 1, at 12 (statement of Terry Kennedy, Alderman, 18th Ward, St. Louis Board of Alderman). The central corridor of St. Louis holds the “major institutions, businesses, and factories throughout the City.” *Id.* at 11. The corridor runs through the middle of the city, encompassing all of the “major universities there; Washington University, St. Louis University; your major hospitals; downtown St. Louis; the Central West End.” The corridor “extends all the way out to Clayton,” and further “[in]to the county.” *Id.*

90. Responding to the nationwide housing shortage following World War II, St. Louis began to construct the Pruitt-Igoe towers, a high-rise public housing project located on the north side of St. Louis; while Pruitt had been intended for Black residents, Igoe had been built for white residents. RICHARD ROTHSTEIN, *ECON. POL’Y INST., THE MAKING OF FERGUSON: PUBLIC POLICIES AT THE ROOT OF ITS TROUBLES* 11–12 (2014). By the time the towers were completed in 1956, however, white residents were no longer interested in the urban public housing as cheap housing became readily available for white families alone in both South St. Louis and the surrounding suburban area. *See id.* As such, both towers filled with welfare-dependent, African American families, “frequently headed by single mothers.” *Id.* Soon after occupancy, the public housing project, home to those who “simply couldn’t live anywhere else,” succumbed to “property crime, gang activity, drug dealing, prostitution and murder.” Colin Marshall, *Pruitt-Igoe: the Troubled High-Rise that Came to Define Urban America – a History of Cities in 50 Buildings, Day 21*, *GUARDIAN* (Apr. 22, 2015, 7:52 AM), <https://www.theguardian.com/cities/2015/apr/22/pruitt-igoe-high-rise-urban-america-history-cities> [<https://perma.cc/NN2B-2H76>]. By the 1960s, approximately four years after initial occupancy, the towers became a “national symbol of dysfunctional public housing.” ROTHSTEIN, *supra* note 90, at 12.

91. *The Use of Federal Housing and Economic Development Funds in St. Louis: From “Team 4” Into the Future*, *supra* note 1, at 13.

dollars, not even an assessment of the property” in regards to the historic site.⁹²

To understand why development throughout the north side of St. Louis never transpired and why, instead, the money has been funneled to the south side, Chairwoman Waters turned to Terry Kennedy, alderman of the Eighteenth Ward of St. Louis.⁹³ Alderman Kennedy explained how aldermen and the public allocate city funds, including CDBG funding.⁹⁴ To allocate funds, aldermen are required to propose development projects and, “to have a project, you need to have a developer.”⁹⁵ For the north side of St. Louis, a largely disenfranchised community, this requirement functions as an impossible obstacle—the likelihood of obtaining an interested developer appears incredibly slim.

II. A MODERN TEAM FOUR PLAN

Recognized as a “true ‘innovator’ when it comes to segregation,” St. Louis is frequently credited with deploying modern discriminatory tools reminiscent of racial zoning and restrictive covenants, effectively ossifying the city’s notorious racial divide.⁹⁶ Initially adopted as a means of stemming blight in neighborhoods marked by “abandoned homes and storefronts,” TIF and tax incentives serve as the region’s most creative segregation tools, ensuring that public investment reaches St. Louis’s wealthiest neighborhoods while neglecting areas most desperate for public assistance.⁹⁷ Ultimately, through Missouri’s TIF Act, the St. Louis region successfully promulgates the Team Four Plan, supporting communities most capable of evading depletion while neglecting areas most vulnerable to impending blight.

92. *Id.* Likewise, Director Geisman explained that no plans had been made regarding Carter Carburetor, a Superfund site located within the middle of the city, as the owner of the site had been unwilling to collaborate with city officials and the EPA. *Id.* at 13–14. To this, Chairwoman Waters responded, “Am I left to believe that the City of St. Louis does not have the ability, the authority, the wherewithal to confront that kind of resistance?” *Id.* at 13. Remaining on this point, Waters asked whether “someone who has been sitting on such a property in the middle of the City has been able to outfox, outsmart, and elude all of the smart people in the city?” *Id.* at 14.

93. *Id.*

94. *Id.* at 15. For more information on CDBG funds, see *infra* note 97.

95. *The Use of Federal Housing and Economic Development Funds in St. Louis: From “Team 4” Into the Future*, *supra* note 1, at 15.

96. Molly Metzger, *Dismantling the Divide: It’s Time to Dismantle TIFs as Tool of Segregation*, ST. LOUIS AM. (last updated July 26, 2018), http://www.stlamerican.com/news/columnists/guest_columnists/it-s-time-to-dismantle-tifs-as-tool-of-segregation/article_118f3574-7f42-11e8-9c5b-0fb4db570319.html [https://perma.cc/X4YL-ZFBX].

97. *See id.*

A. The Missouri TIF Act

In 1982, approximately ten years after the initial release of the Team Four Plan, Missouri passed the “Real Property Tax Increment Allocation Redevelopment Act,” a statute that aims to incentivize local redevelopment with tax increment financing (TIF).⁹⁸ Seen as a partnership “between local governments and private developers,” TIF statutes have served as crucial tools for “the revitalization of declining urban areas,” a necessary consequence resulting from the “wake of declining federal assistance for urban renewal projects.”⁹⁹ Under the Missouri TIF statute, “increased property tax revenues generated by the redeveloped land” are used to finance redevelopment of “blighted areas.”¹⁰⁰ The Act offers the following definition for “blighted areas”:

[A]n area which, by reason of the predominance of defective or inadequate street layout, insanitary, or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use.¹⁰¹

98. Goshorn, *supra* note 8, at 919; see Real Property Tax Increment Allocation Redevelopment Act, MO. REV. STAT. §§ 99.800–866 (2016).

99. Goshorn, *supra* note 8, at 924. The federal government initially served as the purse of urban development, creating the 1949 federal Housing Act as a means of providing funds for slum clearance. See Kristen Erickson, *Protecting Low Income Residents During Tax Increment Financing Redevelopment*, 36 WASH. U. J.L. & POL’Y 203, 206 (2011). In the 1970s, the Housing Act was replaced by the Housing and Community Development Act, which introduced Community Development Block Grants (CDBGs) as a means of financing further urban redevelopment. *Id.* at 207. Into the twenty-first century, however, CDBG funding from the federal government has declined. Consequently, “greater control and funding responsibility has shifted to local governments” in regard to urban redevelopment while “property tax revolts” have resulted in voter limitations on “property tax rates, tax assessments, and debt.” *Id.* As such, “[t]he rise of TIF funding for redevelopment can be explained by the decrease in federal funding provided to local governments, the resulting increase in demand for local funds for these projects, and a simultaneous refusal to pay higher taxes.” *Id.* at 207–08. TIF is thus frequently invoked as a means for the local governments to increase funding for redevelopment while staving off voter discontent, assuring that neither debt nor tax is raised. See *id.*

100. Goshorn, *supra* note 8, at 919 (internal quotation marks omitted).

101. § 99.805(1).

For a redevelopment plan to be approved, it must target an area identified as a “blighted,” “conservation,”¹⁰² or “economic development”¹⁰³ region that “has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment financing.”¹⁰⁴ To demonstrate that development would not occur within the given region “but-for” receipt of the tax increment financing or, rather, that the region “would not reasonably be anticipated to be developed without” the financing, applicants must provide a “detailed description of the factors that qualify the redevelopment area or project.”¹⁰⁵ The redevelopment plan must include the following information: (1) estimated project costs; (2) anticipated sources of funding for the project; (2) evidence of finance commitment; (4) a description of the types and terms of such funding; (5) a description of the types and terms of obligations that may be acquired; (6) a recent valuation of the property to be redeveloped; (7) an estimate of the assessed valuation upon project completion; and (8) the anticipated use of the area.¹⁰⁶ Additionally, the application process includes a “cost-benefit analysis showing the economic impact of the plan on each taxing district which is at least partially within the boundaries of the redevelopment area.”¹⁰⁷

The implementation of a TIF ordinance first requires the creation of a TIF commission.¹⁰⁸ The make-up of the commission depends upon (1) whether the project is being adopted by St. Louis City or County and (2) the

102. The Act states that a “Conservation area” is an area that is “not yet a blighted area but is detrimental to the public health, safety, morals, or welfare and may become a blighted area.” § 99.805(3). Whether or not an area may or may not be designated as blighted depends upon several factors, including “dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; abandonment; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land use or layout; depreciation of physical maintenance; and lack of community planning.” *Id.*

103. Economic development areas are any areas that are neither blighted nor conservation areas, but whose development will not unfairly compete with the local economy and is ultimately in the public’s best interest as it will (1) discourage certain industries from moving away, (2) increase local employment, or (3) maintain or improve the local tax base. *See* § 99.805(5).

104. § 99.810.1(1).

105. *Id.* To meet the “but-for” requirement “a determination must be submitted via an affidavit by the proposed developer along with the redevelopment plan. . . . Under this test, the developer must simply show that it would not undertake the development without the TIF, rather than show that the development would not be undertaken by anyone without the TIF.” Joe Wilson, *Given a Hammer: Tax Increment Financing Abuse in the St. Louis Region*, 34 ST. LOUIS U. PUB. L. REV. 83, 91 (2014); *see also* Josh Reinert, Comment, *Tax Increment Financing in Missouri: Is It Time for Blight and But-For to Go?*, 45 ST. LOUIS U. L.J. 1019, 1034 (2001) (explaining the but-for test of the Missouri TIF Act).

106. *See* GILMORE & BELL, P.C., SUMMARY OF ECONOMIC DEVELOPMENT TOOLS 6 (2018), <https://www.gilmorebell.com/wp-content/uploads/2018/11/Economic-Development-Memo-2018.pdf> [<https://perma.cc/T78J-66LH>].

107. § 99.810.1(5).

108. *See* Wilson, *supra* note 105, at 84.

desired location of the redevelopment project.¹⁰⁹ Depending on the location and sponsor of the redevelopment project, the commission is to be comprised of varying numbers of members appointed by the city, the school districts, the county, and other taxing districts.¹¹⁰ Once the commission has assessed the TIF redevelopment plan, the group hosts a public hearing regarding the project, inviting any “interested person or affected taxing district” to file objections or comments regarding the redevelopment scheme.¹¹¹ Under the Act, the “commission shall hear and consider all protests, objections, comments[,] and other evidence presented at the hearing.”¹¹² Following these hearings, the commission will make certain recommendations to the “governing body of the municipality” in which the TIF project will be implemented relating to “the adoption of redevelopment plans or redevelopment projects and the designation of redevelopment areas.”¹¹³ Between two weeks and ninety days following the completion of the commission’s hearings, a Missouri municipality may approve a redevelopment plan and project, designating the project in accordance with the requirements laid out throughout the TIF Act and entering into any contracts necessary pursuant to the redevelopment project or plan.¹¹⁴

TIF statutes are adopted with the assumption that once a redevelopment project is executed, the value of all property within the targeted redevelopment area will rise.¹¹⁵ In execution, when a plan is adopted, “the assessed value of real property in the redevelopment area is frozen for tax purposes at the current base level prior to construction of improvements.”¹¹⁶ The property owner proceeds to pay property tax at the initial “base level.”¹¹⁷ Once the property is improved, the value of the property in the targeted redevelopment area rises above the original base level and a tax increment is established.¹¹⁸ These increments, identified as “payments in lieu of taxes” (PILOTS) are paid by the owner as regular property taxes normally would be.¹¹⁹ These PILOTS are then transferred to the

109. See GILMORE & BELL, P.C., *supra* note 106, at 4.

110. See *id.*; Wilson, *supra* note 105, at 86.

111. § 99.825.1; see Wilson, *supra* note 105, at 87; GILMORE & BELL, P.C., *supra* note 106, at 19.

112. *Id.*

113. See GILMORE & BELL, P.C., *supra* note 106, at 4. “If . . . the commission makes a recommendation . . . in opposition to a proposed redevelopment plan . . . a municipality desiring to approve such project . . . shall do so only upon a two-thirds majority vote of the governing body of such municipality.” § 99.825.2.

114. § 99.820.1(1)–(2).

115. See GILMORE & BELL, P.C., *supra* note 106, at 3.

116. *Id.*

117. *Id.*

118. *Id.*

119. *Id.*

municipality’s treasurer and placed in a “special allocation fund.”¹²⁰ The money in this fund can be subsequently used to “pay redevelopment project costs or to retire bonds or other obligations issued to pay such costs.”¹²¹ As such, “future tax increases are not abated, but rather are used to fund costs of the project,”¹²² thereby attracting private developers and incentivizing the revitalization of decaying urban communities.

B. Implementation of TIF Throughout St. Louis

Though initially adopted to combat blight throughout Missouri, the economic development tool has readily been adopted as a means of “pursu[ing] sales tax revenue.”¹²³ “When it’s done wrong,” Missouri Governor Jay Nixon has reasoned, “a TIF diverts revenue from schools, infrastructure and public safety, shuffling jobs from one area to another, lining the pockets of billionaire developers.”¹²⁴ Ultimately, TIFs “draw municipalities into a race to the bottom competing to see who can give the most generous giveaways [to developers] at the expense of more pressing priorities.”¹²⁵ Seeking the positive economic impact typically associated with local development, municipalities and their political heads are driven to utilize TIF to collect greater sales and property tax, reaping the profits of both commercial and residential expansion.¹²⁶ While municipalities

120. *Id.* In addition, “local taxing districts transfer 50% of all incremental sales and utility tax revenues to the treasurer of the municipality for deposit into the special allocation fund.” *Id.*

121. *Id.*

122. *Id.*

123. Wilson, *supra* note 105, at 93.

124. *Gov. Nixon Signs TIF Reform Bill that Was Spurred by EWG Study*, E.-W. GATEWAY COUNCIL OF GOV'TS (June 29, 2016), <https://www.ewgateway.org/nixon-tif-reform-bill/> [<https://perma.cc/77HG-Y85Y>]. In response to a 2011 report conducted by the East-West Gateway Council of Governments entitled *An Assessment of the Effectiveness and Fiscal Impacts of the Use of Development Incentives in the St. Louis Region*, which concluded that the implementation of TIFs was a poor economic development strategy for the midwest city, Governor Nixon signed House Bill 1434 into law. *Id.*; see also E.-W. GATEWAY COUNCIL OF GOV'TS, AN ASSESSMENT OF THE EFFECTIVENESS AND FISCAL IMPACTS OF THE USE OF DEVELOPMENT INCENTIVES IN THE ST. LOUIS REGION: FINAL REPORT (2011), <https://www.ewgateway.org/wp-content/uploads/2017/08/TIFFinalRpt.pdf> [<https://perma.cc/77HG-Y85Y>]. The bill, concerned with municipalities’ ability to override TIF commissions by a two-thirds vote of its governing body, limited TIF projects rejected by the commission yet voted into acceptance by the municipality, restricting funds to demolition and land clearance alone. *Gov. Nixon Signs TIF Reform Bill that Was Spurred by EWG Study*, *supra*. This legislation functions as a reaction to the liberal interpretation of the term “blight” within the TIF Act compounded with municipal desperation for commercial development. While the TIF commission designates the plan as worthy or unnecessary for the specified region, municipal governing bodies are inclined to reject these recommendations in favor of local development.

125. *Id.* (quoting Governor Nixon).

126. See Wilson, *supra* note 105, at 93 (discussing the prisoner’s dilemma inherent to Tax Increment Financing while reasoning that “[m]unicipal leaders [when dealing with TIF] are faced with the unattractive choice of placing a tax initiative on the ballot or reducing services if they choose not to participate in the pursuit of this additional revenue”).

scramble for development under TIF, developers are given the upper-hand, equipped with the “ability to leverage regional insecurities against municipalities.”¹²⁷

The fight for local development is further exacerbated by St. Louis’s dependence upon sales tax revenue; over forty communities throughout the region “get at least half of the taxes they collect from sales tax revenue. Some get upwards of 70% and even 80% of their total taxes from sales tax alone.”¹²⁸ A loss of “high sales tax receipts” from big-box stores threatens the community’s overall health.¹²⁹ Unable to fund necessary, tax-dependent municipal services such as local schools, fire departments, and sanitation crews, municipalities deprived of adequate sales tax revenue risk the community’s safety, comfort, and general health. As municipalities are tasked with managing reduced federal funding for urban redevelopment while also struggling to sustain reasonable property tax rates, political leaders are incentivized to “replace low-income residential communities with high-income residential and commercial redevelopment” to increase both property and sales tax revenue as a means of maintaining proper public services.¹³⁰

The overall effects of TIF as implemented throughout the City of St. Louis have proven detrimental to low-income communities. A 2011 assessment of the fiscal effects of St. Louis development incentives revealed that while TIF and other tax incentives appear beneficial for the “incentive-using municipality,” in practice, TIF funding negatively affects surrounding communities.¹³¹ While an increase in jobs could be seen throughout the TIF-using regions, jobs decreased in surrounding communities as several municipalities suffered from decreased sales and property tax revenues.¹³² Further, the use of TIF throughout the region greatly aggravates racial disparities throughout the metropolitan area because private developers are often incentivized to bring their projects to “higher-income communities,”¹³³ thereby introducing an “unneeded, extra advantage” that “further handicap[s]” areas of high poverty.¹³⁴

127. *Id.*

128. *Id.* at 83 (footnote omitted).

129. *Id.*

130. Erickson, *supra* note 99, at 213 (footnote omitted).

131. E.-W. GATEWAY COUNCIL OF GOV'TS, *supra* note 124, at 35.

132. *See id.*

133. *Id.* at 36. In a 2003 report, analysts “found that less than half of the 21 St. Louis area TIF-using municipalities were disadvantaged based on four measurements of distress and by another measure, only 7 of the TIF-areas were ‘at-risk.’” *Id.* app. G at 68 (quoting THOMAS LUCE, RECLAIMING THE INTENT: TAX INCREMENT FINANCE IN THE KANSAS CITY AND ST. LOUIS METROPOLITAN AREAS (2003)).

134. *Id.* at 36.

An analysis of more recent St. Louis-based TIF projects reveals the region’s continued use of Tax Increment Financing as a means of developing high-income residential and commercial redevelopment rather than assisting communities marred by “inadequate street layout” and “insanitary or unsafe conditions.”¹³⁵ Effectively serving as a continuation of the Team Four Plan, this misapplication of TIF reflects a policy of urban triage; today, the economic development tool is most often used to improve areas identifiable as “conservation” or “redevelopment” areas, while areas desperate for public assistance, what Team Four would identify as “depletion areas,” are ignored, resulting in large vacant or deteriorating tracts throughout the region. This inequity is primarily achieved as a result of two practical effects of the TIF statute, both of which are discussed below.

The statute’s manipulatable “blight” and “but-for”¹³⁶ requirements facilitate such disparity. First, the “but-for” provision of the statute merely requires developer testimony stating that “but-for” the TIF, that specific developer would not invest in the local project.¹³⁷ It holds no provision stating that “but-for” the development tool, no developer would engage with the region. As for the “blight” requirement, several commercial redevelopment plans have been introduced to “affluent suburban areas” as a means of developing malls and big-box stores.¹³⁸ Though intended “to draw development to low-income neighborhoods and increase economic opportunity for their residents”¹³⁹ and thereby alleviate blight, TIFs are frequently misapplied, providing “developers and lawyers who subsidize political campaigns” ample opportunity to engage in suburban and thus profitable redevelopment.¹⁴⁰

A perusal of development incentives used throughout St. Louis suggests a clear abuse of the Act’s designation requirement. Between 2000 and 2014, 84% of approved TIFs were spent in the affluent central corridor and downtown St. Louis, “places that are home to relatively little of the city’s African American population and where assessed property value per square foot is much higher than areas that don’t get incentives.”¹⁴¹ Further, TIF

135. MO. REV. STAT. § 99.805(1) (2016).

136. See *supra* note 105.

137. Wilson, *supra* note 105, at 91.

138. Erickson, *supra* note 99, at 216.

139. N. CAMBRIA, P. FEHLER, J.Q. PURNELL & B. SCHMIDT, SEGREGATION IN ST. LOUIS: DISMANTLING THE DIVIDE 45 (2018), <https://cpb-us-w2.wpmucdn.com/sites.wustl.edu/dist/3/1454/files/2018/06/Segregation-in-St.-Louis-Dismantling-the-Divide-22ih4vw.pdf> [<https://perma.cc/6T6V-R4E7>].

140. Sarah Fenske, *St. Louis Is Fighting TIF Reform in Jefferson City. That’s BS*, RIVERFRONT TIMES (Mar. 21, 2018, 7:38 AM), <https://www.riverfronttimes.com/newsblog/2018/03/21/st-louis-is-fighting-tif-reform-in-jefferson-city-that-should-make-us-mad> [<https://perma.cc/YKD2-ZVU3>].

141. CAMBRIA ET AL., *supra* note 139, at 46.

investment accounts for over \$338 million infused into white or commercial areas that did not need the incentive to instigate investment into the region.¹⁴² In 2012, \$10 million in TIFs were granted for the construction of a “high-end condominium complex” that included a new Whole Foods, a costly grocery chain, as well as a Mercedes-Benz dealership in St. Louis City’s wealthy Central West End.¹⁴³ The Central West End, far from a “blighted” neighborhood, maintained a population of 15,518 residents in 2010, and a four-year college education rate of 63%.¹⁴⁴ Touted as a neighborhood that, in 2011, had “it all,” including “[s]ome of the biggest and most beautiful mansions in the entire city,” “old growth trees providing shade, color and life to its streets,” as well as “little pocket gardens and plantings,” the Central West End, upon receiving TIF funding, was far from the “blighted area” envisioned by the Real Property Tax Increment Allocation Redevelopment Act.¹⁴⁵ Free from “defective or inadequate street layout, insanitary or unsafe conditions, deterioration . . . [and] conditions which endanger[ed] life or property,”¹⁴⁶ the neighborhood appeared committed to the safety of its residents, with crime in 2012 having decreased 66% from the area’s total number of crimes in 2003.¹⁴⁷ Meanwhile, two years following the erection of Whole Foods, a grocery store on North Grand Boulevard in Fairground Park was shut down, and remained vacant as of 2018.¹⁴⁸ With an average home sales price of approximately \$8,000 in

142. *Id.* Meanwhile, in 2017 alone, the comptroller’s office found that approximately \$30 million in “forgone revenue because of abatements.” Jacob Barker, *Tax Breaks Cost St. Louis, School District Almost \$30 Million in 2017*, ST. LOUIS POST-DISPATCH (Mar. 20, 2018), https://www.stltoday.com/%20business/local/tax-breaks-cost-st-louis-school-district-almost-million-in/%20article_2682ca1a-a7bb-583a-85be-61525bf365d1.html [https://perma.cc/C5TS-RLEN]. This money “would have been shared among St. Louis Public Schools, the Zoo-Museum District, St. Louis Public Library, the city and other taxing jurisdictions.” *Id.*

143. CAMBRIA ET AL., *supra* note 139, at 46; *see also* Tim Bryant, *St. Louis Panel Approves TIFs for Apartments and Mercedes Dealership*, ST. LOUIS POST-DISPATCH (Oct. 31, 2012), https://www.stltoday.com/news/local/metro/st-louis-panel-approves-tifs-for-apartments-and-mercedes-dealership/article_1a0c57f8-93d2-56c8-bb6c-1f65f52f948b.html [https://perma.cc/TNS6-Z3WH].

144. TODD SWANSTROM, HANK WEBBER & MOLLY METZGER, REBOUND NEIGHBORHOODS IN OLDER INDUSTRIAL CITIES: THE CASE OF ST. LOUIS 48 (2015), <https://www.stlouisfed.org/~media/files/pdfs/community%20development/econ%20mobility/sessions/swanstrompaper508.pdf> [https://perma.cc/c/6G7C-S8B5].

145. Mark Groth, *The Central West End Neighborhood*, ST. LOUIS CITY TALK (Oct. 24, 2011), <http://www.stlouiscitytalk.com/posts/2011/10/central-west-end-neighborhood> [https://perma.cc/7P8S-BDBM].

146. MO. REV. STAT. § 99.805(1) (2016).

147. Wash. Univ. Med. Ctr. Redevelopment Corp. (wumcrc.com), *2012 Crime Statistics; Making 2013 Even Better*, FOREST PARK SE. NEIGHBORHOOD ASS’N, (Mar. 22, 2013), <http://www.forestparksoutheast.com/2012-crime-statistics-making-2013-even-better/> [https://perma.cc/89YJ-QL8T].

148. Cambria, *supra* note 139, at 46; Bryant, *supra* note 143.

2010 compared to the Central West End’s \$447,000,¹⁴⁹ Fairground Park, a predominantly African American neighborhood, continued to suffer from “buildings . . . crumbling, collapsing and rarely boarded up[,] . . . trash lining the streets and roads[,] . . . [and] rampant dumping.”¹⁵⁰ Deprived of city services, Fairground Park was a clear candidate under the TIF Act, presenting unsafe and unsanitary conditions.

Overlooking apparent need, St. Louis utilizes TIF as a means of maintaining local wealth, thereby protecting seemingly prosperous neighborhoods while ignoring truly “blighted” areas. In 2016, officials of Clayton, in St. Louis County, approved \$75.6 million in real estate tax abatement to ensure that a Fortune 500 company could expand its campus, depriving surrounding communities of the benefits associated with TIF funds.¹⁵¹ With a median household income of \$91,531 in 2017, and median property value of \$590,800, Clayton, like the Central West End, proved an altogether inappropriate candidate for TIF funding intended to stem looming “blight.”¹⁵²

While the “but-for” and “blight” requirements are greatly misapplied throughout the region, enabling expansion in areas equipped to induce investment independently, the TIF Act likewise ensures the continued neglect of low-income communities in its failure to account for displaced individuals following concerted urban redevelopment. Though urban neighborhoods are frequently “demolished under the guise of slum clearance” as a result of approved TIF projects, few of the removed residential units are replaced with low-cost residential development.¹⁵³ Instead, seeking high profits from increased sales and *property* tax revenue, the municipality replaces affordable housing with high-income residential or commercial properties, making the area hostile to low-income residents.¹⁵⁴ Such was the fate of the many residents of Meacham Park. Annexed by the City of Kirkwood in 1991, Meacham Park, a predominantly African American, low-income neighborhood made up of small homes, initially believed the union would benefit its citizens—the community could retain its character while benefiting from Kirkwood’s extensive public

149. See *Fairground*, ST.LOUIS-MO.GOV, <https://www.stlouis-mo.gov/live-work/community/neighborhoods/fairground/index.cfm> [<https://perma.cc/YCX5-UMRQ>]; *Central West End*, ST.LOUIS-MO.GOV, <https://www.stlouis-mo.gov/live-work/community/neighborhoods/central-west-end/index.cfm> [<https://perma.cc/D9ZT-YUHG>].

150. Mark Groth, *The Fairground Park Neighborhood*, ST. LOUIS CITY TALK (Jan. 29, 2011), <http://www.stlouiscitytalk.com/posts/2011/01/fairground-park-neighborhood> [<https://perma.cc/D8Z3-D8NG>].

151. Cambria, *supra* note 139, at 46.

152. Clayton, MO, DATAUSA, <https://datausa.io/profile/geo/clayton-mo/> [<https://perma.cc/WK8W-JKN4>].

153. Erickson, *supra* note 99, at 214.

154. *Id.* at 214.

services.¹⁵⁵ Four years later, however, Kirkwood initiated a plan that dedicated most of the community's land to a shopping center consisting of, in part, Target, Lowe's, and Walmart stores.¹⁵⁶ Facilitated by Kirkwood's approval of a \$17 million TIF, development throughout the region displaced a large portion of Meacham Park residents as "[m]ost of the homeowners in the new commercial footprint were bought out, and a few houses were taken through eminent domain."¹⁵⁷

A similar process occurred in Brentwood, where the former Evens-Howard Place neighborhood, a "thriving middle-class African American neighborhood," was displaced by home buyouts and TIF financing in an effort to erect prime retail area close to the region's local shopping mall.¹⁵⁸ This resulted in the evacuation of 130 homes and 30 businesses, "displac[ing]" approximately 800 residents.¹⁵⁹ The project effectively pushed African American individuals into "depletion zones" located in North St. Louis County,¹⁶⁰ making way for a Target and several other big-box stores.¹⁶¹

The region's prevailing misapplication of TIF funding is particularly alarming given the increasing quantity of truly "blighted" areas throughout the city, as well as their disproportionate impact on African American communities and low-income individuals. Today, the region remains burdened by an "unusually high number of vacant properties, primarily in North City and in the southeastern portions of the City."¹⁶² Approximately 90% of the city's vacant properties are located in majority-black neighborhoods.¹⁶³ Three of these neighborhoods, each approximately 97% African American, account for 25% of the city's vacant buildings.¹⁶⁴ These properties and neighborhoods remain overlooked by potential commercial and residential developers, who, taking advantage of the hyper-competitive nature of TIF funding, are able to negotiate development in largely affluent

155. CAMBRIA ET AL., *supra* note 139, at 44.

156. *Id.*

157. *Id.* at 44–45. Four years following the infamous annexation, the neighborhood has "shrunk by nearly a third." *Id.* at 44; see Jeannette Cooperman, *The Kirkwood Shootings: Kirkwood, Meacham Park and the Racial Divide*, ST. LOUIS (Apr. 25, 2008, 9:22 AM), <https://www.stlmag.com/The-Kirkwood-Shootings-Kirkwood-Meacham-Park-and-the-Racial-Divide/> [<https://perma.cc/ZG4F-SFSS>].

158. CAMBRIA ET AL., *supra* note 139, at 45–46.

159. *Id.* at 46.

160. See *supra* note 50.

161. CAMBRIA ET AL., *supra* note 137, at 46.

162. INTERDISCIPLINARY ENV'T CLINIC AT WASH. UNIV. SCH. OF L., ENVIRONMENTAL RACISM IN ST. LOUIS 18 (2019), <https://assets.documentcloud.org/documents/6367937/2097-STL-EnvirRacism-Report-04-Web.pdf> [<https://perma.cc/CP65-TZEV>].

163. *Id.* Today, 25,000 of the total 129,000 properties in the City of St. Louis are considered "vacant and abandoned." Lyda Krewson, *A Plan to Reduce Vacant Lots and Buildings*, ST. LOUIS-MO.GOV (July 2, 2018), <https://www.stlouis-mo.gov/government/departments/mayor/initiatives/vacancy.cfm> [<https://perma.cc/3RGF-YSE4>].

164. INTERDISCIPLINARY ENV'T CLINIC AT WASH. UNIV. SCH. OF L., *supra* note 162, at 18.

areas, thereby benefitting from areas already equipped with the proper services necessary for successful businesses. Left undeveloped, the vacant properties of St. Louis pose serious physical, economic, and emotional obstacles for local residents.¹⁶⁵ Lowering the overall property values of neighboring homes while also acting as a “drain on limited taxpayer dollars,” vacant tracts throughout the region deter future investment and ensure the stagnation of surrounding neighborhoods.¹⁶⁶ As TIF funding provides little incentive to invest in truly deteriorating neighborhoods, largely vacant communities are left behind, forced to bear the burden of the health and economic concerns that frequently accompany abandoned buildings.¹⁶⁷

C. *Rejecting Reform*

Though several attempts have been made to re-center the underlying objective of Missouri’s TIF act, namely the redevelopment of blighted areas, Missouri courts have remained resolute in their holding that the blight and “but-for” tests of the statute are “valid restraints upon the municipal exercise of power.”¹⁶⁸ Reasoning that determinations of blight lay with the legislature rather than the judiciary, Missouri courts continue to uphold the constitutionality of projects stemming from the TIF statute so long as the municipality’s determination of blight is neither arbitrary nor unreasonable so as to “amount to an abuse of the legislative process.”¹⁶⁹

Further, while advocates of TIF reform have fought to increase “transparency on the tax breaks given to developers” and to empower “local school districts to have a say in the TIF process,” little progress has been made in regard to public control of TIF.¹⁷⁰ House Bill 1236, introduced before the Missouri House of Representatives in 2018, sought to “curb tax incentive subsidies” by removing control from private developers and well-equipped attorneys and restoring it with those most affected by lost tax revenue—public schools.¹⁷¹ Aiming to ensure public participation when

165. *Id.*

166. *Id.*

167. For more information regarding the health and economic concerns regarding largely vacant neighborhoods, see INTERDISCIPLINARY ENV’T CLINIC AT WASH. UNIV. SCH. OF L., *supra* note 162.

168. Reinert, *supra* note 105, at 1039; see Tierney v. Planned Indus. Expansion Auth. of Kan. City, 742 S.W.2d 146, 150 (Mo. 1987) (reasoning that “[w]hether a particular area is blighted . . . is a matter for the legislative body to resolve. Its authority controls unless its decision is shown to be so arbitrary and unreasonable as to amount to an abuse of the legislative process.”) (footnote omitted); Crestwood Commons Redevelopment Corp. v. 66 Drive-In, Inc., 812 S.W.2d 903, 910 (Mo. Ct. App. 1991) (finding that “[i]n making its determination that an area is blighted, and in approving the redevelopment plan, the Board of Aldermen acted in its legislative capacity”).

169. Tierney, 742 S.W.2d at 150.

170. Fenske, *supra* note 140.

171. See *id.*

considering public investment for private development, the H.B. 1236 proposed a thirty-day period wherein a public forum enabled citizens to “comment on the proposed district.”¹⁷² This forum, pursuant to the bill, could be “digital, physical, or both” and would be accompanied by posted information regarding the proposal and the mandatory public hearing on the municipality’s official website.¹⁷³ Further, the bill set forth a provision that allowed the board of a school district to “elect to have the portion of property tax revenue allocated to the school district by a county or municipality excluded from a tax increment allocation financing project or plan by passing a resolution by two-thirds majority”¹⁷⁴ When the legislation began to move in the Missouri House, however, the city immediately sent its lobbyists to oppose the bill, reasoning that tax breaks should be a matter of “local control.”¹⁷⁵

The Missouri TIF statute functions as a tool of urban triage more so than a means of alleviating urban blight. Conforming to policies issued in the 1974 Team Four Plan, Missouri continues to deploy TIF funding to procure and sustain development in areas best characterized by their potential for further growth and future profit.¹⁷⁶ Developers are often deterred from investing in deteriorating areas plagued by high poverty or a high unemployment rate, finding them unlikely to offer true opportunity for “profitable private development.”¹⁷⁷ In practice, it appears unlikely that truly blighted areas could ever benefit from TIF projects. On the contrary, TIF funding is largely based on the assumption that “new commercial development will bring a certain amount of revenue—in the form of rising property values on adjacent parcels, increased revenue from sales taxes, and so forth.”¹⁷⁸ In theory, the revenue will then be used as a means of “retir[ing] the bonds that funded the TIF.”¹⁷⁹ Like any municipal bond, however, TIFs are dependent upon the issuer’s ability to raise revenue.¹⁸⁰ And, “[i]f the

172. H.R. 1236, 99th Gen. Assemb., 2d Reg. Sess. (Mo. 2018).

173. *Id.*

174. *Id.* The bill also sought to reduce the maximum length of the incentive from twenty-five to fifteen years. *Id.*

175. Fenske, *supra* note 140; see also Metzger, *supra* note 96.

176. See *supra* Section I.B (discussing Team Four’s description of “redevelopment” areas).

177. George Lefcoe, *Competing for the Next Hundred Million Americans: The Uses and Abuses of Tax Increment Financing*, 43 URB. LAW. 427, 444 (2011). For many, development is “contingent on site specific features—proximity to transportation, shoreline or other natural features, or particular kinds of consumers—that are only available in non-blighted areas.” *Id.* at 444–45. With this in mind, restricting TIFs to sincerely blighted areas would merely result in a “small increase in development in blighted area at the cost of many foregone projects in non-blighted areas.” *Id.* at 445.

178. Walter Johnson, *Ferguson’s Fortune 500 Company*, ATLANTIC (Apr. 26, 2015), <https://www.theatlantic.com/politics/archive/2015/04/fergusons-fortune-500-company/390492/> [https://perma.cc/S8JV-GW3G].

179. *Id.*

180. See *id.*

revenue falls short of projections,” the debt must be collected from local residents.¹⁸¹

This is exactly what happened in Ferguson, wherein sales tax accounts for the largest portion of the city’s revenue.¹⁸² In 1997, the city’s TIF commission unanimously approved TIF funding for The Crossings at Halls Ferry.¹⁸³ Originally valued at \$8 million, the Halls Ferry TIF project failed to generate enough revenue to cover the city’s bond.¹⁸⁴ As a result, in 2012, the “TIF-specific deficits” had to be covered by taxpayer money in the form of sales tax, municipal court fees, and property tax.¹⁸⁵ Rendering local communities, particularly low-income individuals, vulnerable to the risks of large-scale development, TIFs introduced to severely blighted areas, namely those unlikely to attract necessary traffic for greater sales revenue, endanger further financial burdens within the community, threatening those least equipped to handle the economic stress.¹⁸⁶

III. IMPLEMENTING A SOCIAL IMPACT BOND IN ST. LOUIS CITY TO ERADICATE BLIGHT

Today, the Missouriian Real Property Tax Increment Allocation Redevelopment Act, in failing to require stringent blight designations while readily accepting a feeble “but-for” test, merely incentivizes development of St. Louis’s presently affluent regions and thus proves unsuccessful in equitably addressing the city’s prevailing blight. Dependent upon sales tax revenue, St. Louis municipalities deploy TIF to procure big-box stores at the expense of low-income and largely African American neighborhoods throughout the city. Recent legislation and prevailing judicial interpretation illustrate the state’s overall resistance to amending the provision to re-center the legislation’s purpose and thus consecrate Missouri’s commitment to urban redevelopment. This section presents an alternative means of tackling the pervasive issue of blight and vacancy throughout the City of St. Louis—Social Impact Bonds. Typically invoked to address social issues ranging from rising poverty levels to inadequate healthcare, Social Impact Bonds

181. *Id.*

182. *See id.*

183. Betsy Riley, *Ferguson TIF Commission Passes \$25 Million Project*, ST. LOUIS BUS. J. (Mar. 9, 1997, 11:00 PM), <https://www.bizjournals.com/stlouis/stories/1997/03/10/focus13.html> [<https://perma.cc/GN9H-PN6K>].

184. *See* Johnson, *supra* note 178.

185. *Id.*

186. *See* Scott Tanner, *Aquarium Project Repeats Familiar Mistakes*, SHOW-ME INST. (Oct. 1, 2019), <https://showmeinstitute.org/blog/subsidies/aquarium-project-repeats-familiar-mistakes> [<https://perma.cc/2R8U-CPQT>].

rely on public-private partnerships as a means of effectuating true social change.¹⁸⁷

The following sections present Social Impact Bonds as a potential mechanism by which the St. Louis region can properly stem blight as initially intended under the Missouri TIF statute. Serving to promote the public good, Social Impact Bonds relieve disadvantaged communities from the stress placed upon municipalities focused on sales tax revenue and thus unwilling to commit to the revitalization of severely blighted areas. In presenting Social Impact Bonds as potential mechanisms of stemming blight and revitalizing deteriorating neighborhoods, this Note, unlike the policies of the Team Four Plan and its modern successors, stresses the crucial role private investment plays in the initial rejuvenation of neglected urban areas. While Team Four and the Missouri TIF statute identify public investment as the catalyst of private investment, this Note recognizes the inherent constraints placed upon municipal governments funded by tax revenue and regulated by voter preference. Assessing the capacities of the private investor, this Note contends that genuine equity depends upon a strong private-public alliance, ultimately acknowledging the strategy of urban triage, as embraced by Team Four and modern St. Louis, to be a necessary evil when a financially-fragile government is forced to act alone.¹⁸⁸

A. *The Social Impact Bond*

First launched in the United States in 2012, a Social Impact Bond (SIB) “relies on initial financing from private investors to produce outcomes governments value.”¹⁸⁹ Presented as an innovative means of financing progressive social services, SIBs “overcome [the] structural limitations of investing” in preventative services while protecting local governments from voter dissatisfaction by “transfer[ing] risk away from taxpayers and onto investors.”¹⁹⁰ As is the case in the City of St. Louis, governments are often

187. See Etienne C. Toussaint, *The New Gospel of Wealth: On Social Impact Bonds and the Privatization of Public Good*, 56 HOUS. L. REV. 153, 163–64 (2018).

188. Functioning independently, local municipalities are driven, as a consequence of limited expendable public funds, to carefully identify and subsequently implement development strategies most likely to benefit the entire community. With finite resources and infinite problems, the local government is justified in its decision to allocate public funds to programs most likely to succeed.

189. TIMOTHY RUDD, ELISA NICOLETTI, KRISTIN MISNER & JANA BONSU, FINANCING PROMISING EVIDENCE-BASED PROGRAMS: EARLY LESSONS FROM THE NEW YORK CITY SOCIAL IMPACT BOND iii, ix (2013), https://www.mdrc.org/sites/default/files/Financing_Promising_evidence-Based_Programs_FR.pdf [<https://perma.cc/4ULN-B723>].

190. Rebecca Leventhal, *Effecting Progress: Using Social Impact Bonds to Finance Social Services*, 9 N.Y.U. J.L. & BUS. 511, 523, 525–26 (2013). “The concept makes investment in innovation

financially incapable of investing in and effectively testing out promising social services. Instead, they deploy available development tools strategically, spending resources and incentives in reliable and thus “safe” situations, as demonstrated by the continued development of St. Louis’s Central West End.¹⁹¹ Social Impact bonds serve as a version of “Pay-for-Success” financing wherein public and private entities work together to support public initiatives.¹⁹² In a SIB, private investors finance the cost of implementing innovative yet risky social programs with the intention of saving public funding long term. If the proposed “radical” program proves successful, the local government, having ideally saved money as a result of the program’s implementation, repays the private entity’s original investment with an additional return.¹⁹³

B. Social Impact Bond in New York City

Launched by Mayor Michael Bloomberg in 2011, the Rikers Island SIB was the United States’ first attempt at deploying Social Impact Bonds to expand upon promising social services.¹⁹⁴ At the time of its implementation, “nearly half of all adolescents incarcerated in Rikers Island jail” were likely to “return within one year of being discharged.”¹⁹⁵ Concerned with the alarming rate of recidivism throughout the state, Mayor Bloomberg tasked agencies and innovators alike with the challenge of designing innovative programs intended to enhance the lives of “black and Latino men, who experience much higher rates of poverty, unemployment and homicide than

possible during a period of constrained government funding, because it lessens the risk that taxpayers will pay for ineffective programs.” RUDD ET AL., *supra* note 186, at ES-2. Traditionally, prevention social programs offer “no accountability for success or failure,” often leaving “government entities in a bind where if they invest their limited funding in preventative programs that turn out to be ineffective, they end up paying for both the ineffective program and the services the program was intended to prevent.” *Id.* at ES-1.

191. See *supra* note 143. As discussed above, this trend is readily identifiable throughout the St. Louis region. Given the option of investing in a truly “blighted” area in desperate need of greater public assistance or a neighborhood straddling the line between success and stagnation, TIF funding will likely go to the latter. Further, rather than invest in and thus risk resources for proper low-income housing unlikely to produce an increase in sales or property tax revenue, municipalities will strive to invest in commercial and high-income residential developments, leaving underprivilege communities largely deprived of adequate services and necessary support. See *supra* Section II.B.

192. RUDD ET AL., *supra* note 189, at 5. Traditionally, a SIB is identified as an “arrangement between one or more government agencies and an external organization where the government specifies an outcome (or outcomes) and promises to pay the external organization a pre-agreed sum (or sums) if it is able to accomplish the outcome(s).” JITINDER KOHLI, DOUGLAS J. BESHAROV & KRISTINA COSTA, CTR. FOR AM. PROGRESS, SOCIAL IMPACT BONDS 101: DEFINING AN INNOVATIVE NEW FINANCING TOOL FOR SOCIAL PROGRAMS 2 (2012), <https://www.americanprogress.org/wp-content/uploads/issues/2012/03/pdf/sib101.pdf> [https://perma.cc/8PQ8-6A8Z].

193. See RUDD ET AL., *supra* note 189, at ix.

194. See *id.* at 1, 4.

195. *Id.* at ix.

their white and Asian peers.”¹⁹⁶ Soon after, city figures learned about the United Kingdom’s recent implementation of a “cutting-edge financing strategy,” the Social Impact Bond.¹⁹⁷ Intrigued by the financing model, the Mayor’s office created the Young Men’s Initiative (YMI),¹⁹⁸ partnering with Bloomberg Philanthropies, the Department of Corrections, and the Urban Investment Group of Goldman Sachs Bank USA to initiate the first American SIB supported by a well-known financial institution.¹⁹⁹ The SIB necessitated the collaboration of several public and private actors. Goldman Sachs served as the commercial lender, functioning as the private investor, and made a \$9.6 million loan to the program’s intermediary, the Manpower Demonstration Research Corporation (MDRC),²⁰⁰ for a program that provided behavioral therapy to inmates of Rikers Island jail.²⁰¹ Meanwhile, the philanthropic investor, Bloomberg Philanthropies, provided the \$7.2 million that would be used to repay Goldman Sachs in case of program failure.²⁰² The Mayor’s office then functioned as a coordinating body, with the Department of Corrections (DOC) agreeing to pay MDRC upon program success.²⁰³ Additionally, the Osborne Association and Friends of Island Academy worked to administer the behavioral therapy, using the funds provided by the commercial investor.²⁰⁴ Under the SIB, were the behavior therapy successful, meeting its preestablished benchmarks,²⁰⁵ the reduction in incarceration would save New York City money and the DOC would then be able to pay back the investment. If it failed, the city would achieve no savings and would thus be liable for none of the private entities’ investments.

While the true novelty of SIBs presents a “risk of uncertainty to both government officials and private investors,” the innovative financing tool is gaining traction for its “use in preventive programs in which governments

196. See *id.* at ES-1.

197. *Id.* at 2.

198. YMI is an initiative which focuses on “programs and policies designed to improve outcomes for [young Black and Latino men] in education, health, employment, and the criminal justice system.” *Id.* at 2.

199. See *id.* at ix–ES-2, iii, 1.

200. The MDRC was charged with negotiating the SIB’s terms, organizing contracts between the program’s various partners, and implementing the program daily. *Id.* at ES-5. MDRC was originally founded as the Manpower Demonstration Research Corporation but the official name became MDRC in 2003. *About MDRC*, MDRC, <https://www.mdrc.org/about/about-mdrc-overview-0> [<https://perma.cc/3H72-ARZE>].

201. See RUDD ET AL., *supra* note 189, at ES-5.

202. See *id.*

203. See *id.*

204. *Id.* at ES-6.

205. Under the New York SIB, success was monitored via two factors: “the impact on readmission bed days . . . in DOC custody during the two years after each young person is released, and the number of participants served over a four-year period.” *Id.* at ES-7. If the program reduced readmission by at least 10% of served participants, the city would have to pay back the investor. See *id.*

have failed to invest.”²⁰⁶ Recognizing the infeasibility of comprehensive government intervention into all prominent social issues such as healthcare and recidivism, advocates of SIBs recognize private investment, motivated by the promise of public return, as an encouraging strategy for “meaningful long-term social impact” in the realm of healthcare, the criminal justice system, and homelessness.²⁰⁷

C. Social Impact Bonds in the Context of “Blight”

While SIBs are typically used to invest in people rather than places, promoters of the innovative financing tool contend that SIBs serve as an effective “model for funding reclamation of blighted areas that cities inherit or want to develop.”²⁰⁸ To further this objective, cities might use private capital, rather than public incentives, as a means of facilitating revitalization efforts, providing investors a share of the profits if development proves effective.²⁰⁹ For some, this model holds the potential to be even more advantageous than people-focused prevention programs such as the Rikers SIB wherein savings accrued as a result of reduced incarceration rates are “unlikely to flow back into the government’s coffers.”²¹⁰ SIBs devoted to blighted areas would likely result in government savings in the form of reduced maintenance costs and increased revenue from the property tax derived from useful, rather than vacant or deteriorating properties.²¹¹

206. Shifali Baliga, Note, *Shaping the Success of Social Impact Bonds in the United States: Lessons Learned from the Privatization of U.S. Prisons*, 63 DUKE L.J. 437, 449 (2013). Of course, in implementing SIBs across the nation, government actors must remain cautious of “private involvement in traditional government functions.” *Id.* at 440.

207. See Toussaint, *supra* note 187, at 161.

208. John Roman, *Social Impact Bonds: A New Model to Reduce Blight*, URB. INST.: URB. WIRE (May 14, 2013), <https://www.urban.org/urban-wire/social-impact-bonds-new-model-reduce-blight> [<https://perma.cc/6FYY-C5YW>].

209. *Id.* This strategy resolves the “blight” bind as seen throughout the government:

On one hand, [the government] could substantially increase tax rates on blighted properties . . . to force the owners to improve their land. But some of those property owners will be unable to pay, and the title . . . will be transferred back to the government. . . . On the other hand, it could start a promising intervention. But intervention costs money — new money — something in short supply at all levels of government.

[SIBs] solve this problem.

John Roman & Kelly Walsh, *Why Aren’t We Using Social Impact Bonds to Solve the Country’s Blight Crisis?*, NEXT CITY: EQUITY FACTOR (June 11, 2014), <https://nextcity.org/daily/entry/social-impact-bonds-help-blight> [<https://perma.cc/5RFD-EQA7>].

210. Roman, *supra* note 209.

211. See *id.* In Nashville, the local government implemented a similar program, joining with private investors to revamp an industrial wasteland now known as “The Gulch.” See *id.* After the partnered investment, the area produced over \$115,000 per acre in net revenue and generated \$3,300 per unit established in property and sales tax per year, costing the government a mere \$1,400 per unit for annual upkeep. See *id.*

In 2015, recognizing the emerging financial tool as a creative means of effectuating positive social change, the Richmond City Council opted to allocate approximately \$3 million in Social Impact Bonds to rehabilitate abandoned residential neighborhoods across the region.²¹² The project represents the first time SIBs have been used to remedy deteriorating neighborhoods.²¹³ Under the agreement, Mechanics Bank, the commercial lender, will provide the \$3 million that the Richmond Community Foundation, the nonprofit service provider, will use to acquire, rehabilitate, or otherwise improve blighted properties.²¹⁴ Relying on data which showed that each abandoned house or property cost the city approximately \$7,000 per year in abatement costs and highly sought after property tax revenue, the city reasoned that the SIB would benefit all partners involved.²¹⁵ Likely resulting in repayment for the private investor while ensuring an increase in surrounding property values, the financing tool would thereby benefit the community as a whole. As stated by the Chief Financial Officer of Richmond's Mechanics Bank, "SIBs may not provide the strongest financial return in the short run, but they're an investment in the future of [a] community that pays dividends in far more important ways than cash."²¹⁶

D. Social Impact Bond in Metro St. Louis

Like the City of Richmond, St. Louis City would greatly benefit from a Social Impact Bond dedicated to the revitalization of its most blighted or neglected neighborhoods. Having siloed TIF to neighborhoods likely to turn a profit in the form of increased sales and property tax revenue, St. Louis needs to find alternative means by which the city may eradicate blight and thereby save neighborhoods from the social, health, and safety consequences of deteriorating properties.²¹⁷ Unlike the program introduced in Richmond, however, St. Louis may benefit from a program committed

212. See Hatti Hamlin, *Mechanics Bank Purchases Richmond's First Social Impact Bonds*, PRWEB (Nov. 23, 2015), <https://www.prweb.com/releases/2015/11/prweb13099137.htm> [<https://perma.cc/S7EN-NPYH>]; *Richmond Housing Renovation Program*, RCF CONNECTS, <https://www.rcfconnects.org/community-initiatives/restoring-neighborhoods/richmond-housing-renovation-program/> [<https://perma.cc/R3GZ-YQ9N>].

213. See Hamlin, *supra* note 213.

214. See *id.*

215. *Id.*

216. *Id.*

217. "Where you live in St. Louis has a powerful impact on your health. Residents of zip codes separated by only few miles have up to an 18-year difference in life expectancy. Because of considerable residential segregation in St. Louis, many areas with high African American populations are also areas with concentrated poverty and poor health. These neighborhoods often lack resources like healthy foods, safe green spaces for recreation, and convenient access to medical care." WASH. UNIV. IN ST. LOUIS, *FOR THE SAKE OF ALL: A REPORT ON THE HEALTH AND WELL-BEING OF AFRICAN AMERICANS IN ST. LOUIS AND WHY IT MATTERS FOR EVERYONE* 5 (July 31, 2015), https://cpb-us-w2.wpmucdn.com/sites.wustl.edu/dist/3/1454/files/2018/06/FSOA_report_2-17zd1xm.pdf [<https://perma.cc/8VAE-ZKP8>].

not only to vacant properties, but to neighborhoods that have been sidelined and undermined by way of implicit and explicit racial zoning and neglect. Surrounded by vacant tracts yet struggling to remain within their neighborhoods, families living in deteriorating neighborhoods must combat meager property appraisals, lacking public services due to low sales revenue, and negligible property tax revenue.²¹⁸ To implement an evidence-based program premised on neighborhood revitalization, initiators of the SIB may consider alternative means of measuring program success, monitoring for changes in not only property valuation and sales tax revenue, but also for positive health outcomes or a decrease in local crime rates, either of which may relieve the government of great financial burdens.

Success of a St. Louis SIB intended to remediate the negative consequences of decades-long neglect hinges on the collaboration of several St. Louis partners. A SIB generally requires “a government partner, an investor, an intermediary, a service provider, and an independent evaluator.”²¹⁹ In the St. Louis City SIB, these entities might include the city’s Alderpersons or Mayor alongside the Planning Department²²⁰ or an alternative city department dedicated to the revitalization of St. Louis neighborhoods, a prominent financial institution such as U.S. Bank or Bank of America, the Affordable Housing Trust Fund Coalition,²²¹ or Rise,²²² as well as local philanthropists²²³ willing to partially repay the primary investor if the program fails. Together, these partners can advance an evidence-based program that provides solutions to communities traditionally underserved by the municipalities of the St. Louis region.

218. See Jacob Barker, *The North St. Louis Mortgage Market Is Broken. Here’s What Some Banks and Nonprofits Are Doing*, ST. LOUIS POST-DISPATCH (Sept. 22, 2018), https://www.stltoday.com/business/local/the-north-st-louis-mortgage-market-is-broken-here-s/article_8707ba8e-b78b-5c13-a34d-a94aec181218.html [https://perma.cc/88E6-ZKAZ].

219. RUDD ET AL., *supra* 189, at 9.

220. See *Planning Department – About*, ST. LOUIS-MO.GOV, <https://www.stlouis-mo.gov/government/departments/planning/planning/about.cfm> [https://perma.cc/QL5Q-KKVV].

221. See *Affordable Housing Trust Fund Coalition*, COMTY. BUILDERS METRO ST. LOUIS, <https://www.communitybuildersstl.org/affordable-housing-trust-fund-coalition> [https://perma.cc/MWT2-3HRX].

222. Rise might serve as the proper intermediary throughout the St. Louis project as “Rise is a nonprofit organization working to connect communities with local institutions to empower the revitalization of neighborhoods in Greater St. Louis . . . act[ing] as a resource and partner to the community . . . [Rise] bring[s] together nonprofits, financial institutions, and government to make successful neighborhood revitalization possible.” *About Rise Community Development*, RISE, <http://www.risestl.org/about/> [https://perma.cc/F8P8-BA6H].

223. See Lea Konczal, *St. Louis’ Biggest Corporate Philanthropists - Large Companies*, ST. LOUIS BUS. J. (Mar. 25, 2019, 2:05 PM), <https://www.bizjournals.com/stlouis/subscriber-only/2018/11/09/st-louis-biggest-corporate.html> [https://perma.cc/SP4L-XTKE].

CONCLUSION

When first introduced to St. Louis residents, the Team Four Plan, and its underlying policy of urban triage, shook the city. Reprimanding the Plan for its overt endorsement of strategic neglect and corresponding disparate impact, public and local government officials rejected the Team Four Plan's targeted approach, identifying the Plan's policies as mere continuations of the racially restrictive real estate practices endorsed throughout the twentieth century. An analysis of modern St. Louis, however, demonstrates the degree to which the Team Four Plan, while never officially adopted, has been embraced by local municipalities in the form of a modern segregation tool—the Missouri TIF statute. Misused across the region, the legislation, though posited as a mechanism for eradicating blight across the state, has served to effectuate Team Four's most powerful vision by neglecting truly blighted neighborhoods in favor of commercial and residential development for neighborhoods on the brink of tangible economic success. Upheld by the courts and recent legislation, the Act has enabled municipalities' mistreatment of low-income and largely African American neighborhoods and provides little hope for future use modifications. As such, this Note proposes the implementation of a blight-focused Social Impact Bond, suggesting that private investment replace public hesitation in dealing with deteriorating regions across the city. By way of initial private investment, local municipalities will be able to target neighborhoods most vulnerable to impending blight and rampant vacancy without fear of political backlash or financial restraints, thereby working with private parties to effect true change in the City of St. Louis.

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